



# Denison Mines Corp.

{DML-T, DNN-US}

SECTOR: Mining

STOCK PRICE	\$1.62
RATING	BUY
TARGET PRICE	\$2.20
RISK	Very High

## EXECUTION OF AGREEMENTS WITH THE ENGLISH RIVER FIRST NATION

### DML and ERFN Build Cooperative Framework to Advance Wheeler River

**OUR TAKE:** This morning, Denison announced that it has entered into a Participation and Funding Agreement and Letter of Intent with the English River First Nation ("ERFN"). The Agreement and LOI provide a framework and applicable funding arrangements to facilitate ERFN's participation and engagement in the Federal and Provincial Environmental Assessment ("EA") process for Denison's 90%-owned flagship Wheeler River project. Additionally, Denison and ERFN have also entered into an Exploration Agreement in respect of Denison's exploration and evaluation activities within the ERFN traditional territories. The Exploration Agreement establishes a framework whereby Denison's exploration and evaluation activities are agreed upon by ERFN and Denison will support ERFN's interests in environmental protection and monitoring, community development and benefits, as well as sustainable and predictable consultation and engagement processes. Today's announcement is a positive step for the Company as it fosters a cooperative approach to work in a mutually beneficial manner as it respects ERFN rights and builds the foundation for future collaboration to cultivate a long-term partnership. **Denison continues to be rated as one of our top-picks in the uranium space largely underpinned by our thesis that recent de-risking work at Wheeler River regarding the ISR mining approach to the ultra-high-grade Phoenix deposit is going under-appreciated by the market. We expect ongoing and future work to further demonstrate the viability of this low-cost mining approach and believe that it will translate into more positive movement in DML's share price.** Please note, we highlighted Denison in our Haywood 2021 Top Picks Report [<Link to Haywood 2021 Top-Picks report. DML details on p.30>](#).

#### HIGHLIGHTS

- ◆ **Cooperative Framework Established with ERFN:** Many of DML's interests in the Athabasca Basin region, including its Wheeler River Project, are situated in the traditional territory of ERFN. Today's announcement regarding the Participation and Funding Agreement and Letter of Intent, as well as the Exploration Agreement, provide the foundation for building a positive relationship for future collaborations, allowing the parties to work cohesively in a mutually beneficial manner.
- ◆ **Active year ahead:** Denison's 2021 budget and plans for its Wheeler River project include the completion of a formal Feasibility Study (FS) on the project with the submission of a final Environmental Impact Statement (EIS) as part of the Environmental Assessment (EA) process (the formal Feasibility Study is expected to commence late this year, with submission of the EIS in early 2022). In support of these objectives, the Wheeler River Joint Venture approved a \$24.0 million evaluation budget for 2021 (on a 100% basis), which is highlighted by the resumption of the EA process, as well as the advancement of engineering studies, metallurgical testing, and field programs. Of the evaluation budget, Denison's share net of operator fee recoveries, is \$19.4 million.
- ◆ **ISR field work continues in 2021:** Denison will install a 5-well ISR test pattern replicating a production injection/recovery well installation configuration using commercial-scale wells at the Phoenix deposit to "facilitate further hydrogeological evaluation and support the final production well design pattern, as well as refine cost estimates, while allowing for testing of further permeability enhancement options." DML expects to be in a position to carry out a lixiviant test in 2022 which will be a major milestone for the project and, if successful, highly de-risking from an ISR extraction feasibility perspective. DML says "[t]he 2021 field program is fully permitted, with all approvals received from the provincial government to commence work on site."

#### RECOMMENDED ACTION

*We recommend adding exposure as Phoenix continues to be de-risked and sector fundamentals improve...*

- ◆ **Attractive entry point as risk/reward proposition improving.** A core strength of Denison remains its ability to leverage its technical team and knowledge gained in studying ISR and its applicability to unconformity-hosted uranium deposits in the Basin. Denison continues to demonstrate this as it applies its growing in-house ISR skill set, unique in the Athabasca Basin, to another deposit, potentially unlocking value in a project that would otherwise likely require significant scaling to be economic by conventional mining techniques. We recommend buying Denison to gain leverage to the uranium sector and potentially ultra low cost future production from Wheeler River while Denison works to uncover additional value in its extensive portfolio of other projects. Following major global production cuts, the uranium market is in fundamental deficit. We believe key major global projects will remain offline until uranium prices climb, which will be a major catalyst for high torque names like Denison.

#### KEY STATISTICS AND METRICS

52-Week High/Low	\$2.29/\$0.38
YTD Performance	93%
Dividend Yield	N/A
Shares O/S	803.9M
Market Capitalization	\$1,302M
Cash	\$150M
Debt	NIL
Enterprise Value	\$1,152M
Daily Volume (3 mos.)	3,136,240
Currency	C\$ unless noted

#### HAYWOOD ESTIMATES (CAD)

	2019A	2020E	2021E
Revenue (\$M)	\$15.5	\$14.4	\$13.5
U <sub>3</sub> O <sub>8</sub> Production	-	-	-
EBITDA (\$M)	(\$14.8)	(\$7.2)	(\$15.1)
CFPS (\$/share)	(\$0.03)	(\$0.02)	(\$0.02)

#### VALUATION

**Our target** is based on a corporate NAV sum-of-parts assessment of Denison's full suite of interests, including a DCF<sub>6%</sub> assessment of future production from the Wheeler River project and other credits.

Net of corporate adjustments, our NAV is \$1.9 billion, or \$2.18 per fully diluted share.

## Important Information and Legal Disclosures

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### Analyst Certification

I, Colin Healey, hereby certify that the views expressed in this report (which includes the rating assigned to the issuer's shares as well as the analytical substance and tone of the report) accurately reflect my/our personal views about the subject securities and the issuer. No part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations.

### Important Disclosures

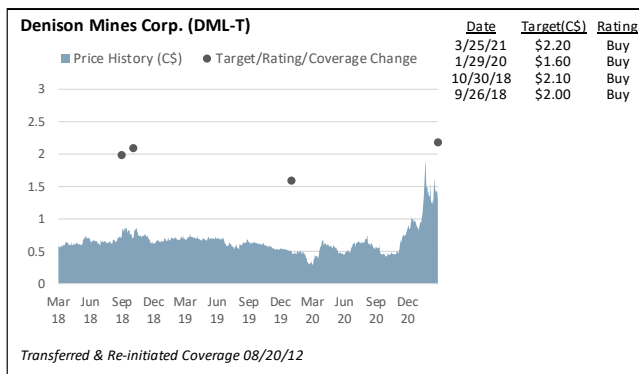
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- ◆ Haywood Securities, Inc. has reviewed lead projects of Denison Mines Corp. (DML-T) and a portion of the expenses for this travel have been reimbursed by the issuer.
- ◆ Haywood Securities Inc. or one of its subsidiaries has managed or co-managed or participated as selling group in a public offering of securities for Denison Mines Corp. (DML-T) in the past 12 months.

### Distribution of Ratings (as of April 6, 2021)

	%	#	IB Clients (TTM)
<b>Buy</b>	79.6%	78	93.9%
<b>Hold</b>	7.1%	7	6.1%
<b>Sell</b>	0.0%	0	0.0%
<b>Tender</b>	1.0%	1	0.0%
<b>UR (Buy)</b>	0.0%	0	0.0%
<b>UR (Hold)</b>	0.0%	0	0.0%
<b>UR (Sell)</b>	0.0%	0	0.0%
<b>Dropped (TTM)</b>	12.2%	12	0.0%

### Price Chart, Rating and Target Price History (as of April 6, 2021)



B: Buy; H: Hold; S: Sell; T: Tender; UR: Under Review  
Source: Capital IQ and Haywood Securities

**Link to Research Policy:** <http://haywood.com/what-we-offer/research/research-policy>

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